INVESTMENT BEHAVIOUR OF GOVERNMENT EMPLOYEES IN KERALA

Ph D Synopsis

Submitted by

RATHI KN

(Reg. No. 18PHCOP007)

Under the Guidance of

Dr. D. GEETHA M.Com., Dip.Ed., M.Phil., Ph.D.

Professor and HoD (Rtd.)

Department of Commerce

Submitted to

Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore

July 2023

INTRODUCTION

Indian economy is growing fastly. The wise investment made at proper time will enhance the economic development of the country. Investment is sacrificing today's monetary value for gain in the future, and the target is to get wealth. It is the allocation of money to assets that are expected to yield some gain over a period of time. An investor selects the avenue for investing money from different investment avenues available like bank deposits, real estate, insurance schemes, bullions, small savings, shares, bonds and debentures. Each investment avenue is associated with some risk along with a return. Individual investors may use their limited knowledge and competency to make investment decisions. The decision may or may not be made with rational behaviour. The preferences of different investment avenues are also based on the investor's knowledge, attitude, risk perception, or behaviour. Investment patterns of the individual investor may be influenced by the economic, social, psychological and demographic attributes of the person. An individual investor may be an intelligent or behavioural investor, or they often show mixed behaviour. In the present study, the investment behaviour of Government employees in Kerala in relation to their intellectual or behavioural aspects is taken for analysis.

The investment behaviour included the investment pattern, investment preferences and investment decision making of the individuals. Investment decision making has considered rational and irrational behaviour.

REVIEW OF LITERATURE

Raheja. (2018) studied investment decision making and its relations with risk tolerance, personality traits, emotional intelligence, and behavioural biases. There is a relationship between behavioural biases and investment decisions, but the prediction level is reduced when controlling for risk tolerance. The investors' risk tolerance acts as a partial mediator between emotional Intelligence and the investors' investment decisions.

Ahmad. (2018) researched the impact of emotional intelligence and personality on investors' decisions and behaviour of individual investors of Pakistan stock exchanges. The investigator found that these aspects with neural transmitters can cause several mistakes while investing in the stock market. The personality dimensions like Openness and Conscientiousness have significant relations with the behavioural features of investors. Emotional Intelligence also has a significant role in investor behaviour, mainly in investment horizon, personalization of loss and control level.

Along with the above-mentioned studies, many relevant, worthwhile studies are referred like Arora., and Kumari. (2020), Babu., and Nagaraj (2016), Bindu. (2017), and Patel, and Sanghvi. (2021). Further, 15 studies under Investment preferences, 12 studies under Investment pattern, 13 studies under Investment pattern, and 17 and 5 under Personality and Intelligence, respectively. For Multiple intelligence, 7 studies are reviewed.

RESEARCH GAP

A literature review suggests that several studies have been carried out on investment behaviour in different geographical areas. The scope of most of the existing studies are limited to the investment pattern and demographic profile. It is observed that only a few pieces of research have been done to know the investors' behaviour, investors' personality and investor's emotional intelligence. Nevertheless, the studies are rare concerning the general Intelligence and multiple intelligences of investors and investment behaviour. Thus, a research gap is identified in studying the investors' intelligence and personality traits concerning their investment behaviour. The study considered multiple intelligences and big five personality traits for the analysis. There are some studies from Kerala in the research area, but there is no such study among Kerala Government employees.

SCOPE OF THE STUDY

The study facilitates awareness of prudence or bias that may influence investment decisions. This survey selected only public officials, a distinct group of people who respect the community. This improves their decision-making process. This study will serve as a reference point for other researchers in the same field. The study provides an insight into the investment sector. The research will add to existing knowledge and encourage further research in various fields. This will help the financial advisors to evaluate their clients from a psychological point of view and can offer appropriate advice to them.

STATEMENT OF THE PROBLEM

Economy of a state is be depending on the reuse, reproduction and reviewing the money entered in the economy. The money in the market is reinvested by the persons engaged in it to get augmenting its value. Surely, speculation or venturing or assetization of money received by the individual s or institutions in the object of getting economic return is vital in the economic development of the state. The financial and commercial progress is made up of investment. The sensible investment is key for achievement of financial or commercial goals. Investment of a state, organisation or person are different in perspectives and goals. How investment activities are made up is truly a problem, need to be analysed.

Investment activities of individual are different that of an institution, association of persons or state. Individual behaviour related to investment is key to the financial success of individual, family, social class and through the economy.

Individual investment behaviour is the behaviour related to the activity of investment planning, implementation and evaluation.

Investment behaviour is s a highly dynamic subject; it talks about various activities in the everchanging economic environment, where adaptation is vital. Research in such a subject helps a person survive in this environment by regularly updating the existing knowledge about the many methods and strategies present in the field. Investment behaviour here included the rational and irrational behaviour of investors concerning their decision making, preferences of different avenues, and pattern of Investment. Pattern is the outline of the investment and preference is the mental state of the employees and decision making is the action to be taken for economic return. Investment decisions are made by using rational and irrational behaviour of the person, which are led by reasoning and intuition respectively.

In Kerala economy concerns, middle class people are more in the population and semi urban area are more than that of rural and urban areas. The middle-class household's investment might have importance in the growth of the economy also. The government employees are representatives of middle-class family in Kerala. Thus, individual investment behaviour of Government employees in Kerala has to be studied as a researchable problem.

Research on the investment behaviour of Government employees is very few to the date. In this research study, the analysis of the investment behaviour of employees and their relationship with the cognitive and behavioural aspects is explored. Intelligence is the essential cognitive aspect of thinking, reasoning and decision making. Here the study is focused on multiple intelligence and their relationship with the investment behaviour of government employees. Multiple intelligence are nine intelligences like Spatial, Bodily/Kinesthetic, Intra-Personal, Linguistic/Verbal, Musical/Rhythmic, Logical/Mathematical, Interpersonal, Naturalistic and Existential. Personality refers to individual differences in characteristic thinking, feeling, and behaving patterns. Here the Big Five Personality Trait theory is taken for studying behavioural aspects of investment decision making. The big five personality traits are Openness, Conscientiousness, Extroversion, Agreeableness, and Neuroticism.

OBJECTIVES

1. To study the Investment Pattern in relation to intelligence and personality of Government employees in Kerala
2. To find out Investment Preferences of Government employees in Kerala
3. To identify Investment Decision Making behaviour of Government employees in Kerala (Rational and irrational behaviour)
4. To study the influence of demographic profile of the employees on investment behaviour
5. To examine the effect of intelligence and personality of Government employees on their investment behaviour

HYPOTHESES

1. H_0: There is no significant relationship between Government employees' intelligence investment pattern
2. H_0: There is no significant relationship between Government employees' personality and investment pattern
3. H_0: There is no significant relationship between intelligence and personality of Government employees with their investment preferences
4. H_0: There is no significant relationship between Government employees' intelligence and their investment decision making
5. H_0: There is no significant relationship between Government employees' personality and their investment decision making
6. H_0: There is no relationship between the investment pattern and investment preferences
7. H_0: There is no significant relationship between investment preferences and Investment decision making
8. H_0: There is no relationship between the investment pattern and investment decision making
9. H_0: There is no significant difference in investment behaviour among the government employees according to their gender, age, income level, category of employment, and saving percentage
10. H_0: There is no significant impact of intelligence and personality together on the investment pattern, preferences and decision making

LIMITATIONS

1. In the research study of investment behaviour, the psychological aspects like Interest, Aptitude, Memory and Learning are not taken for the study.
2. The particular intelligences like Logical, Verbal, Interpersonal, naturalistic and others are not considered in depth.
3. The research study has not considered investment behaviour of population like businessmen, private employees and professionals.

RESEARCH FRAMEWORK

The research design is descriptive and analytical. Population of the study is Grade II Government employees working among total 122 departments in the Kerala State government.

The sample size is 384; the Proportionate Stratified Random Sampling technique is used for the study to have an adequate representation from each department. The tool used for collecting data was a questionnaire with three parts: Investment behaviour questionnaire, Multiple Intelligence Inventory and Big Five Personality Inventory. The investment behaviour questionnaire included investment patterns, investment preferences, and investment decision-making statements. Multiple intelligence inventory has included the statements related to nine types of intelligence. The big five personality inventory has included the statements related to five personality traits. For the data analysis, ANOVA, independent sample t-test, Factor analysis, Canonical correlation, Pearson's correlation coefficient, Multiple Regression and Structural Equation Model were used. The IBM SPSS 25.0 and AMOS 23.0 were used for data analysis.

FINDINGS OF THE STUDY

Demographic Profile of Respondents and its influence on Investment behaviour

Samples are selected equally from three geographical zones and proportionately from the government departments. More than half of the respondents are males. The majority are from 60,000/ to 80,000/ income level, and more than half of them save their 10-30% income.

According to gender, the investment preferences of employees differ, but all other behaviours are found similar. Irrational decision making and investment preferences are the factors influenced by age, and all other behaviour are similar in all the age groups. Irrational decision making, Intelligence, and investment preferences significantly differ among income levels. According to the category, the rational decision making and investment Preferences are influenced significantly but not by any other behaviour like irrational decision making and investment pattern. The geographical differences are significant only for rational

decisions. The differences in investment behaviour based on saving percentage are analysed and found that Rational and irrational decision making and investment preferences on Bank deposits only significantly differ among different groups.

Investment Behaviour

Safety, Return, Liquidity, and Marketability are the factors which influence more the Investments as perceived by the respondents. These are treated as Primary Factors, and the other factors are Tax saving, Simplicity, Affordability and Diversification. Asper objectives recorded, Good return, Capital appreciation, and Liquidity are Primary objectives. Tax saving, Children's education and career, Future safety and Pension are declared as the other objectives. The Risk level perception of the Debt market, Mutual Fund and the Stock market have high mean values (High risk), and Bank deposits, Post Office, Treasury, Chit funds, and Insurance have a low mean (Low risk).

The Bank Deposit is the favourite investment avenue that has Investment by nearly three-fourths of respondents. The debt market is the least; used by only a nominal number of respondents. More persons had invested in insurance and chit funds than others. At the same time, NBFC and Commodity are the least invested avenues after the debt market. The Bank deposit is preferred as Rank I, Insurance, Chit funds, and Post office deposits. Treasury savings are placed in Rank II, III, IV &V. Debt market, Commodity, and Mutual funds are the least preferred avenues, which ranked as Rank XIV, XIII & XII.

Investment Decision Making is divided into rational and irrational behaviours. The Irrational behaviour is slightly more than rational behaviour as per the descriptive analysis. Among the eight dimensions of Rational behaviour, Return and Information dependence are the most important dimensions and Influencing persons, and Economic consideration are next to them. The other dimensions like Social consideration, Risk, Evaluation and Sustainability are found to be less important as per the mean value. In the case of dimensions of Irrational behaviour, Representative bias, Overconfidence, Mental Accounting, Regret Aversion and Availability Bias show higher mean than Herding, Gamblers' Fallacy and Anchoring.

Intelligence and Personality

Investors' Intelligence is taken for study as Multiple Intelligence. It is proved that Naturalistic, Verbal, Interpersonal, Intrapersonal, and Logical Intelligence significantly contribute to their intelligence than Spatial, Kinesthetic, Musical, and Existential Intelligence. The investors' intelligence is then taken as the independent variable to analyse investment patterns, investment decision-making, and investment preferences.

Investors' Personality is taken for analysis as Big five personality traits. It is observed that personality traits like Openness, Conscientiousness, Extroversion, and Agreeableness are more significant than Neuroticism in the investors' personality. The investors' personality traits are then taken as the independent variable to analyse investment patterns, investment decision-making, and investment preferences.

Investment Pattern of Government employees

The Intelligence of Government employees is related to all the perceived factors like return, safety, liquidity and marketability, tax savings, and diversification. Whereas Personality is only related to their perception of the factors like tax savings, simplicity, affordability, and diversification. The Intelligence of Government employees is related to the Primary objectives but not to another objective. However, Personality has no relationship to any objectives of Investment as per the analysis. Personality is only significantly related to High-Risk level perception. At the same time, the employees' personality and Intelligence are not related to any level of risk perception. There is no significant relationship between investors' intelligence and Risk level perception on different investment avenues.

Investment Preferences of Government employees

The investment preferences are significantly related to intelligence, personality, Rational and Irrational behaviour, factors perceived in investment decision-making, and Objectives of Investment are significantly related asper Canonical correlation analysis. All the criterion variables like Preferences in Less Risky Avenues, Preferences in Medium Risky Avenues, Preferences in Risky Avenues and Preferences in High Risky Avenues depend on Factors perceived and Objectives in the investment decision. The Preferences for medium risk avenues are not much dependent on Intelligence and Personality, whereas all other avenues are preferred in relation to the Personality and Intelligence of investors. The Preferences for medium risk and High-risk avenues are not much dependent on Investment decision making. In contrast, all other avenues are preferred concerning Rational and Irrational behaviour of investors.

Investment Decision Making of Government employees

Both Rational behaviour and Irrational behaviour in Investment decision making are significantly influenced by Investors' intelligence as the result of Multiple regression analysis. Among the multiple intelligences, Verbal, Logical, Spatial, Musical and

Interpersonal types of Intelligence positively influence rational behaviour, and Intrapersonal, Naturalistic and Existential have a negative influence. In contrast, the Kinesthetic does not influence Rational behaviour.

Among the multiple intelligences, Verbal, Logical, Spatial, Musical, Intrapersonal, Naturalistic and Existential bits of Intelligence have a slightly positive influence on Irrational behaviour. Kinesthetic and Interpersonal have a minor negative impact on Irrational behaviour.

As the result of Multiple regression analysis, both Rational behaviour and Irrational behaviour in Investment decision making are significantly influenced by Investors' personality also. Among the personality variables, Openness, Extroversion, and Agreeableness have a positive influence and Conscientiousness and Neuroticism has a negative influence on rational decision making. Among the personality variables, Openness, Conscientiousness, and Neuroticism have a positive influence and Extroversion and Agreeableness have a negative effect on irrational decision making.

In case of behavioural biases, all the biases like Representative bias, Overconfidence, Mental Accounting, Regret Aversion, Availability Bias, Herding, Gamblers' Fallacy and Anchoring have relation with rational behaviour of investment decision. Among this, Mental accounting shows negative relationship and all others show positive relationship. All the dimensions of Prudence are related with irrational behaviour also. The investment decision making of Government employees are found influenced by their factors perceived on investment.

CONCLUSION

The research study on 'Investment Behaviour of Government employees in Kerala' has proposed a conceptual framework that incorporates the factors influencing Investment behaviour, the Theory of Multiple Intelligence and the Theory of Big Five Personality. The study's findings have shown that such a conceptual framework can explain the path from the cognitive and behavioural aspects to the Investment behaviour of Government employees in Kerala. Personality, Intelligence, social, and demographic factors are included as independent variables. At the same time, risk level perception of investment pattern, investment preferences, and investment decision making (Rational and Irrational behaviour) are dependent variables. The study has led to the construction of a Conceptual model that explains the investment behaviour of Kerala Government employees. The investment preferences showed that they are selecting the more familiar traditional avenues. This study shows that Government employees are prone to various behavioural biases and make irrational decisions and sometimes prudently take decisions. When the findings of the study

applied will enhance the wise investments. It will increase the financial strength and stability of National economy.

REFERENCES

Ahmad,M. (2018). Impact of Neurotransmitters, Emotional Intelligence and Personality on Investor's Behavior and Investment Decisions. *Pakistan Journal of Commerce and Social Sciences*.12(1), 330-362.

Arora, M., and Kumari, S. (2020). Mediating Role of Behavioral Biases between Emotional Intelligence and Financial Decision Making: A Conceptual Framework. *International Journal of Mechanical and Production Engineering Research and Development*. 10(3), 13019–13026.

Babu G., and Nagaraj G. P.(2016). Study of Behavioural Finance on Investment Decisions among Individual Investors: Effect of Demography, Investors Personalities and Investment Choices in Bengaluru. *JCC Management Research Review*. 6(2),81-92.

Raheja, S. (2018). A Study on Individual Investment Decisions, Risk Tolerance and Influencing Factors in Stock Market. Unpublished doctoral dissertation, Mittal School of Business, Lovely Professional University, Panjab. Retrieved on 20th June 2020 from http://hdl.handle.net/10603/238273.

PUBLICATIONS

1. "Socially Responsible Investment (SRI) in relation to Personality Traits" in International Journal for Professional Business Review (ISSN 2525- 3654) Vol 8 No. 5 Date of Publication 1June 2023. **(SCOPUS indexed journal)**
   Link https://openaccessojs.com/JBReview/article/view/1183
2. "Influence of Personality Traits and Behavioural Biases on Irrational Investment Decision Making of Public Officials" in Review of Banking and Finance (EISSN 2067-3825) Vol. 15 Issue 1. June 2023. **(UGC CARE listed journal)**
   Link https://rfb.ase.ro/vol15-june2023.asp